

Iowa Tax Credits Available for Individual Income, Corporation Income, and Franchise Tax

Updated as of July 1, 2014

- **S Corporation Credit** (\$45.3 million for 2011) – Section 422.8(2)(b)

Starting in 1998, individual resident shareholders of S corporations which conduct business within and without Iowa can claim a tax credit. The credit is structured so that the S corporation is taxed on the greater of income attributable to Iowa under the single sales factor or actual distributions by the S corporation less federal income tax. The credit is computed on form IA 134. The intent is to treat S corporations similar to C corporations who are entitled to apportion income within and without Iowa.

For tax years beginning on or after January 1, 2013, the credit is available for estates or trusts with a situs in Iowa who are shareholders in S corporations conducting business within and without Iowa.

- **Franchise Tax Credit** (\$16.6 million for 2011) – Sections 422.11 and 422.33(8)

Starting in 1998, a franchise tax credit is available to any shareholder in a financial institution which files as an “S corporation” for federal tax purposes. Iowa imposes a franchise tax on financial institutions, and Iowa does not recognize the S corporation election for Iowa franchise tax purposes. Therefore, the franchise tax credit is allowed to avoid double taxation of income. The credit is computed on IA 147, franchise tax credit worksheet.

Starting with any financial institutions organized as limited liability companies on or after July 1, 2004, the franchise tax credit is also available to members of the limited liability company. The limited liability company would file the franchise tax return, and members of the limited liability company would be eligible to take the franchise tax credit.

- **Earned Income Credit** (\$31.0 million for 2012) – Section 422.12B

This credit is available to individual taxpayers who qualify for the federal earned income credit, and is 6.5% of the federal earned income credit for tax years beginning on or after January 1, 1991, but beginning before January 1, 2007. For the 1991-2006 tax periods, the credit was nonrefundable.

Starting with tax years beginning on or after January 1, 2007, the credit is 7.0% of the federal earned income credit, and the credit is refundable starting with the 2007 tax year and for subsequent tax years.

The credit is 14% of the federal earned income tax credit for tax years beginning on or after January 1, 2013, but before January 1, 2014. The credit is 15% of the federal earned income tax credit for tax years beginning on or after January 1, 2014.

- **Tuition and Textbook Credit** (\$15.3 million for 2012) – Section 422.12(2)

This credit is available to individual taxpayers who have one or more dependents attending grades K-12 in an Iowa school. The credit percentage is 25% of the first \$1,000 paid for each dependent for tuition and textbooks for tax years beginning on or after January 1, 1998.

- **Child and Dependent Care Credit** (\$4.5 million for 2012) – Section 422.12C

This credit is available to individual taxpayers who have net income of \$40,000 or less for tax years beginning on or after January 1, 1993, and before January 1, 2006, and is based on a percentage of the federal child and dependent credit. The percentages vary depending on the amount of Iowa adjusted gross income, and this is a refundable credit. Starting with the January 1, 2006, tax year, the credit is available for taxpayers with income of less than \$45,000. For tax years beginning on or after January 1, 2015, the credit is based on the amount of federal child and dependent credit that could have been claimed on the federal return, and is not limited to the amount actually claimed on the federal return.

- **Claim of Right Credit** – (\$32,000 for 2011) - Section 422.5(10)

Effective for tax years beginning on or after January 1, 1992, an individual taxpayer may be eligible for a claim of right credit similar to that provided in section 1341 of the Internal Revenue Code if the taxpayer repays in the current year an amount of income reported on an Iowa return for a previous year. The tax benefit can either be a reduction in tax which can be claimed as a refundable credit, or an adjustment can be made to income in the current year.

- **Cow-Calf Credit** (repealed for claims filed on or after November 1, 2008) – Section 422.120

Effective for the 1996-2007 tax years, eligible individual and corporation income taxpayers who operate cow-calf beef operations in Iowa are eligible for a cow-calf credit. The amount of credit was limited to \$3,000 per taxpayer, and was computed on form IA 132. The form must be filed within ten months after the end of the tax year, and the refunds were issued by February 28 of the next year. **This credit was repealed for claims filed on or after November 1, 2008.**

- **Motor Vehicle Fuel Tax Credit** (\$2.6 million for 2012) – Section 422.110

An income tax credit is allowed for the amount of Iowa motor fuel tax paid relating to certain purchases made by individuals and corporations. This credit is allowed for

taxpayers who do not have a motor fuel refund permit. This credit has been in place since 1975. The credit is claimed on form IA 4136, and this is a refundable credit.

- **Iowa New Jobs Credit** (\$2.8 million for 2011) – Section 422.11A and 422.33(6)

Starting in 1985, this credit is available to businesses which have entered into agreements with area vocational schools and have increased employment by at least 10% in the time periods provided in the agreement. This is a one time credit, equal to 6% of the taxable wages which the employer is required to contribute to the state unemployment compensation fund. For 2014, this tax credit would equal \$1,608 for each job created. The credit is claimed on form IA 133, and is a nonrefundable credit with a 10-year carryforward.

- **Research Activities Credit** (\$41.6 million for 2011, \$15.5 million for supplemental credit for 2011) – Sections 422.10 and 422.33(5) and 15.335

Starting in 1985, a credit is available for 6 ½% of Iowa's apportioned share of qualifying expenditures for increasing research activities. The Iowa research credit is based on the federal research activities credit, with the Iowa credit based on the ratio of Iowa research expenditures over total research expenditures. The credit is claimed on form IA 128, and is a refundable credit.

Starting in 2000, taxpayers can elect to take the alternative incremental research credit in a manner consistent with the federal alternative incremental research credit. This credit is claimed on form IA 128A and is a refundable credit. Taxpayer can elect each year whether to take the alternative credit or the "regular" research credit for Iowa tax purposes.

Effective for tax years beginning on or after January 1, 2010, the alternative incremental research credit is replaced by the alternative simplified research credit. This credit is computed consistent with the federal alternative simplified research credit. This credit is claimed on form IA 128S and is a refundable credit. Taxpayer can elect each year whether to take the alternative simplified credit for the "regular" research credit for Iowa tax purposes.

Taxpayers who are approved by the Iowa Economic Development Authority under the New Jobs and Income Program or the Enterprise Zone Program can double their research credit claimed on either form IA 128 or IA 128A by claiming the supplemental research credit. The research credit can also be doubled under the High Quality Job Creation Program and the High Quality Jobs Program for taxpayers approved by the Iowa Economic Development Authority if certain criteria are met.

For projects approved on or after July 1, 2010, the supplemental regular research credit is 10% for taxpayers with gross revenues of \$20 million or less, and the supplemental credit is 3% for taxpayers with gross revenues exceeding \$20 million.

The percentages for the supplemental alternative incremental credit and the alternative simplified credit also vary for projects approved on or after July 1, 2010.

Effective July 1, 2009, an additional \$3 million in research activities credit is available for expenses related to the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. These expenses are not eligible for the federal research activities credit. A business eligible for this credit must be approved by the Iowa Economic Development Authority after July 1, 2009.

- **Investment Tax Credit** (\$30.6 million for 2011, and \$6.4 million for housing investment credit for 2011) – Section 15.333, 15.333A, 15E.193B(6), 15A.9(4), 422.11F, 422.33(12) and 422.60(5)

Starting in 1994, for taxpayers approved by the Iowa Economic Development Authority under the New Jobs and Income Program (through FY05), Enterprise Zone Program (through FY14), Eligible Housing Enterprise Zone Program (through FY14), or Eligible Development Business Program (through FY04), an investment tax credit is available equal to 10% of the cost of machinery and equipment and improvements to real property. This is a nonrefundable credit, with a 7-year carryforward. The credit is claimed on form IA 3468.

Starting in July 2002, for businesses involved in value-added agricultural projects, any unused investment tax credit was eligible for a refund. The refund is capped at \$4 million per fiscal year, and cannot be claimed until the year following completion of the project. Starting in July 2005, projects involving biotechnology products are also included, along with value-added agricultural products, in the \$4 million of refundable credits for the enterprise zone and the high quality job creation program.

The \$4 million of refundable credits was repealed effective April 15, 2010; therefore, no credits will be issued for fiscal years ending June 30, 2010 and for subsequent fiscal years.

Starting in 2003, for the investment tax credit for eligible housing projects only, the credit can be transferred to another person or entity, if low-income housing credits under section 42 of the Internal Revenue Code were used to help finance the housing project. Effective for projects beginning on or after July 1, 2005, the investment tax credit can be transferred if the housing development is located in a brownfield site or in a blighted area. The investment tax credit for eligible housing projects cannot exceed 10% of \$140,000 for each home or individual unit in a multiple dwelling unit building.

Starting July 1, 2014, the eligible housing enterprise zone program was replaced by the workforce housing credit. This credit is normally limited to 10% of \$150,000 for each home or individual unit. This credit is freely transferable in all cases, but remains a nonrefundable credit with a 5 year carryforward. The workforce housing

credit, which also includes a sales tax refund on building materials, is capped at \$20 million per fiscal year.

Starting with projects approved on or after March 17, 2004, leased property is eligible for the investment tax credit. The leased property must involve a new building or major renovation, and cannot include an existing building. The credit is computed based on the annual base rent paid to a third-party developed for a period not to exceed 10 years.

- **Alternative Minimum Tax Credit** (\$4.6 million for 2011) – Sections 422.11B, 422.33(7) and 422.60(3)

Starting in 1988, an alternative minimum tax credit is available to any taxpayer who paid Iowa alternative minimum tax starting in 1987. The credit is limited to the extent the regular tax exceeds the alternative minimum tax for a tax year. The credit is computed on schedule IA 8827 for corporation income tax and on form IA 8801 for individual income tax. There is no limit on the number of years this credit can be carried forward.

- **Assistive Device Credit** (\$0 for 2011) – Sections 422.11E & 422.33(9)

Starting in 2000, a taxpayer who is a small business that purchases, rents, or modifies an assistive device or makes workplace modifications for an individual with a disability is eligible for this credit. The credit is limited to 50% of the first \$5,000 paid for the assistive device or workplace modification. The Iowa Economic Development Authority certifies those eligible for the credit and issues tax credit certificates for eligible claimants. This is a refundable credit. **This credit was repealed effective on July 1, 2009, for individual income tax, but is still available for corporation income tax.**

- **Historic Preservation and Cultural and Entertainment District Tax Credit** – Sections 422.11D, 422.33(10), 422.60(4) and 404A.2

Starting in 2000, a historic preservation and cultural and entertainment district tax credit is available for 25% of the qualified costs of rehabilitation of eligible property in Iowa. This credit is administered by the state historic preservation office of the Iowa Department of Cultural Affairs. Any credit in excess of the tax liability is subject to a refund at a discounted amount for credits earned through the fiscal year ending June 30, 2007. The credit was limited in the aggregate to \$2.4 million per fiscal year through June 2005. However, for the fiscal years ending June 30, 2006, and June 30, 2007, an additional \$4 million of credits per fiscal year is available for projects in cultural and entertainment districts. Starting in 2003, the historic preservation tax credit can be transferred to any person or entity.

The amount of credit is increased to \$10 million for the fiscal year ending June 30, 2008 and \$15 million for the fiscal year ending June 30, 2009. There is \$50 million of

credits available for fiscal years ending June 30, 2010 through June 30, 2012. The \$50 million of credits are allocated as follows:

- ✓ \$5 million for projects with final qualified rehabilitation costs of \$500,000 or less
- ✓ \$15 million for projects located in cultural and entertainment district tax credits or projects identified in Iowa great places agreements
- ✓ \$10 million for disaster recovery projects
- ✓ \$10 million for projects that involve the creation of more than 500 permanent jobs
- ✓ \$10 million for any other eligible project

There is \$45 million of credits available for fiscal years ending June 30, 2013, and subsequent fiscal years.

Any credit in excess of the tax liability is now fully refundable and is no longer subject to a discounted percentage, for credits earned starting with the fiscal year ending June 30, 2008. In lieu of requesting a refund, the overpayment can be credited to the tax liability for the following tax year.

- **Endow Iowa Tax Credit** (capped at \$2 million for the total for 2003 and 2004, and capped at \$2 million for each year 2005-2007, capped at \$2 million plus a percentage of gaming revenues for 2008 and 2009, capped at \$2.7 million plus a percentage of gaming revenues for 2010, capped at \$3.5 million plus a percentage of gaming revenues for 2011, and capped at \$6 million for 2012 and subsequent years) – Sections 15E.305, 422.11H, 422.33(14) and 422.60(7)

Starting in 2003, an endow Iowa tax credit equal to 20% of a taxpayer's endowment gift to a qualified community foundation is available. The gift must be for a permanent endowment fund established to benefit a charitable cause in Iowa. Corporations must apply to the Iowa Economic Development Authority to receive this tax credit. The credit is limited to \$2 million in the aggregate for the 2003 and 2004 tax years and is limited to \$2 million for each year 2005 through 2007. For 2008 and 2009, the cap is \$2 million per year plus a percentage of gaming revenues which is estimated at an additional \$1 million per year.

For 2010, the cap is \$2.7 million plus a percentage of gaming revenues, which is approximately \$1.1 million. For 2011, the cap is \$3.5 million plus a percentage of gaming revenues which is estimated at an additional \$1.1 million per year. For 2012 and subsequent years, the cap is \$6 million. The maximum credit available to any one taxpayer is 5% of the aggregate amount of credits available. In addition, for 2010 and subsequent years, the credit is 25% of the endowment gift to a qualified community foundation. Also, starting in 2010, the endowment gift is not allowed as a deduction for Iowa tax purposes.

This is a nonrefundable credit, with a 5-year carryforward.

- **New Capital Investment Program** – Section 15.385(4) – through FY05

Starting in 2003, an investment tax credit is allowed for businesses that create fewer jobs than under the New Jobs and Income Program. Instead of a 10% investment tax credit, these businesses received an investment tax credit between 1% and 5%, depending on the number of jobs created, as shown below:

0 jobs, but economic activity in Iowa is advanced	1% investment credit
1-5 jobs created	2% investment credit
6-10 jobs created	3% investment credit
11-15 jobs created	4% investment credit
16 or more jobs created	5% investment credit

These businesses are approved by the Iowa Economic Development Authority. This is a nonrefundable credit, with a 7-year carryforward. However, if these businesses are involved in value-added agricultural projects or biotechnology related processes, they can apply for a refund of unused investment credit, subject to the same \$4 million cap per fiscal year noted under “Investment Tax Credit.”

- **Venture Capital Credit – Investments in Qualifying Business and Community-Based Seed Capital Funds** (\$46,000 to be claimed on 2014 tax returns) – Sections 15E.43, 422.11F, 422.33(12) and 422.60(5)

Starting in 2002, a tax credit is allowed for 20% of the equity investment made into a qualifying business or community-based seed capital fund approved by the Iowa Capital Investment Board. This credit is focused on “angel investors” who make investments in start-up companies. The tax credit cannot be claimed until three years after the investment is made, so investors who made investments in 2002 cannot claim the tax credit until the 2005 tax return. The credits are capped in the aggregate at \$3 million for investments made in 2002, \$3 million for investments made in 2003 and \$4 million for investments made in 2004. Only \$1.8 million in total credits were claimed through June 30, 2005. Credits can be claimed after June 30, 2005, until the total cap of \$10 million is reached. As of July 1, 2008, the entire \$10 million of credits have been issued. This is a nonrefundable credit, with a 5-year carryforward.

Effective for investments made on or after January 1, 2011, this tax credit will be administered by the Iowa Economic Development Authority. The credit will be available for qualifying businesses and community-based seed capital funds approved by the Authority on or after January 1, 2011. There will be a cap of \$2 million per fiscal year of tax credits available for this program. The tax credit will remain at 20% of the equity investment, and the tax credit cannot be claimed until three years after the date the investment was made. However, for investments made on or after January 1, 2014 in a qualifying business, there is no longer a three year delay. Investment made in 2014 cannot be redeemed until January 1, 2016.

- **Venture Capital Credit – Investments in Venture Capital Funds** (\$96,750 to be claimed on 2013 returns) – Sections 15E.51, 422.11G, 422.33(13) and 422.60(6)

Starting in 2002, a tax credit is allowed for 6% of the equity investment made in a venture capital fund approved by the Iowa Capital Investment Board. The tax credit cannot be claimed until 3 years after the investment is made, so investors who made investments made in 2002 cannot claim the tax credit until the 2005 tax return. The credits are capped in the aggregate at \$5 million. This is a nonrefundable credit, with a 5-year carryforward. **This credit was repealed for investments made after July 1, 2010.**

- **Venture Capital Credit – Contingent Tax Credit for Investments in Iowa Fund of Funds** (\$10,627,873 to be claimed on 2013 returns) – Sections 15E.66, 422.11Q, 422.33(20) and 422.60(11)

Starting in 2002, a contingent tax credit is allowed for investments made into the Iowa fund of funds. The tax credit is only allowed to the extent that the actual rate of return on these investments does not meet the rate of return guaranteed to investors. The Iowa fund of funds will make investments in venture capital funds who make a commitment to consider investments in businesses located in Iowa. The contingent tax credits are capped at \$57 million in the aggregate, and cannot be claimed until at least five years after the investment is made. Also, only \$20 million of credits can be claimed in one year. The credit is nonrefundable, with a 7-year carryforward.

In August 2012, the Iowa Capital Investment Board verified \$25,595,383 of tax credits that may be claimed on tax returns, of which \$10,627,873 may be claimed on 2013 tax returns.

- **Ethanol Blended Gasoline Tax Credit** (\$47,000 for 2009) – Sections 422.11C and 422.33(11)

Starting in 2002, a tax credit is available to service stations at which more than 60% of the total gasoline sold is ethanol blended gasoline. **This credit expired on December 31, 2008, and has been replaced by the ethanol promotion tax credit.** The credit is equal to 2 ½ cents for each gallon sold in excess of 60%. The credit is computed on form IA 6478. This is a refundable credit.

- **Corporation Tax Credit for certain sales taxes paid by third party developer** (\$0 for 2011) – Sections 15.331C, 422.33(19) and 422.60(10)

Starting for projects approved by the Iowa Economic Development Authority on or after March 17, 2004, a corporation income tax credit can be claimed equal to the sales tax paid by a third-party developer relating to gas, electricity, goods, wares, or merchandise, or services rendered relating to a construction and equipping of a facility of an eligible business under the NJIP, NCIP, high quality jobs creation, or

high quality jobs program. This is not available to businesses approved under the enterprise zone program. A tax credit certificate is issued by the Department of Revenue for this credit. In addition, a separate tax credit certificate for corporation income tax is available to any sales tax attributable to racks, shelving, and conveyor equipment paid by a third-party developer.

- **Soy-Based Cutting Tool Oil Credit** – Sections 422.11I

A manufacturer is eligible to take a credit equal to the costs incurred for the purchase and replacement costs relating to the transition from using nonsoy-based cutting tool oil to using soy-based cutting tool oil. The costs must be incurred after June 30, 2005, and before January 1, 2007, and the costs must be incurred during the first 12 months of transition. This affects tax years ending after June 30, 2005, and beginning before January 1, 2007. The costs cannot exceed \$2 per gallon, and the number of gallons eligible for the credit cannot exceed 2,000 gallons. This is a refundable credit. **This credit is not available for 2007 and subsequent tax years.**

- **Renewable Energy Tax Credits** (\$2.0 million for 2011) – Chapter 476C and Sections 422.11J, 422.33(16) and 422.60(8)

A producer or purchaser of renewable energy from a facility approved by the Iowa Utilities Board is entitled to a tax credit equal to 1 ½ cents per kilowatt hour of electricity, or \$4.50 per million BTU's of heat, refuse derived fuel, methane gas or other biogas, or \$1.44 per 1,000 standard cubic feet of hydrogen fuel. The facilities approved cannot exceed 363 megawatts of nameplate generating capacity related to wind energy facilities, and cannot exceed the combined output of 53 megawatts of capacity and 167 billion BTU's of heat related to other facilities. Any tax credit in excess of the tax liability can be carried forward for seven years. A tax credit certificate is issued by the Department of Revenue for the amount of the credit, and the credit can be transferred once. A producer or purchaser can receive the tax credit certificates for a 10-year period, and no credit can be used for a tax year beginning prior to July 1, 2006.

This credit is also available for small wind energy systems operating in a small wind innovation zone approved by the Iowa Utilities Board.

- **Early Childhood Development Tax Credit** (\$.8 million issued for 2012)– Section 422.12C

Effective for tax years beginning on or after January 1, 2006, a credit is available equal to 25% of the first \$1,000 of expenses paid for early childhood development expenses for each dependent from the ages of 3 to 5. The credit is available only to taxpayers whose net income is less than \$45,000, and this credit cannot be claimed if the child and dependent care credit is claimed. Expenses eligible for the credit include preschool expenses, books, and instructional materials, lesson plans and curricula, and child development and educational activities outside the home.

- **Wind Energy Production Tax Credit** (\$764,000 for 2011) – Chapter 476B and Sections 422.11J, 422.33(16) and 422.60(8)

An electrical production facility that produces electricity from wind that is placed in service on or after July 1, 2005, but before July 1, 2012, that is approved by the local board of supervisors and the Iowa Utilities Board can claim a tax credit. The credit is equal to one cent multiplied by the number of kilowatt-hours of electricity either sold or used for on-site consumption. Any tax credit in excess of the tax liability can be carried forward for seven years. A tax credit certificate is issued by the Department of Revenue for the amount of the credit, and the credit can be transferred to any person or entity. The credit cannot be used for a tax year beginning prior to July 1, 2006.

- **Economic Development Region Revolving Fund Tax Credit** (\$0 issued for 2008) - Sections 15E.232, 422.11K, 422.33(17) and 422.60(9)

Effective for tax years ending on or after July 1, 2005, a tax credit equal to 20% of the contribution made to an economic development region revolving fund is allowed. The economic development region must be approved by the Iowa Economic Development Authority, and Economic Development is responsible for administering and authorizing these tax credits. The credit is capped at \$2 million per fiscal year. Any credit in excess of the tax liability can be carried forward for 10 years. **This credit is repealed effective for tax years beginning on or after January 1, 2010.**

- **Wage-Benefit Tax Credit** – Chapter 15I and Section 422.11L

For new jobs created on or after June 9, 2005, a wage-benefit tax credit is available to non-retail, non-services businesses which create new jobs related to the location or expansion of a business in Iowa. This will affect tax years ending on or after June 9, 2006. If the annual wage and benefits equals at least 130% of the average county wage, but less than 160%, the tax credit equals 5% of the wages and benefits paid. If the annual wage and benefits is 160% or greater of the average county wage, the tax credit equals 10% of the wages and benefits paid. No tax credit is issued for any new jobs created on or after July 1, 2008.

Businesses must apply to the Department for this credit, and the amount of credit is limited to \$10 million for the fiscal year ending June 30, 2007, and is limited to \$4 million for fiscal years ending June 30, 2008, through June 30, 2011. **No tax credits will be issued for fiscal years ending June 30, 2012, and for subsequent fiscal years.** The credits are issued on a “first-come, first-serve” basis. If the business retains the job, the tax credit will be allowed for the subsequent four years. Any tax credit in excess of the tax liability can be refunded.

- **High Quality Job Creation Program** – Section 15.329

Effective July 1, 2005, through June 30, 2009, the High Quality Job Creation Program has replaced the New Jobs and Income Program and the New Capital Investment Program. This will affect tax years ending on or after July 1, 2005. These businesses must still be approved by the Iowa Economic Development Authority to qualify for the tax credits. The amount of tax credits is dependent on the number of jobs created and the qualifying investment made. The new jobs must pay at least 130% of the average county wage to be eligible for these tax credits. The tax credits are as follows:

Pay 130% - 159% of average county wage

- Number of new jobs is zero
Investment less than \$100,000 – 1% Investment tax credit
Investment of \$100,000 – \$499,999 – 1% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 1% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 1-5
Investment less than \$100,000 – 2% Investment tax credit
Investment of \$100,000 – \$499,999 – 2% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 2% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 6-10
Investment less than \$100,000 – 3% Investment tax credit
Investment of \$100,000 – \$499,999 – 3% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 3% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 11-15
Investment less than \$100,000 – 4% Investment tax credit
Investment of \$100,000 – \$499,999 – 4% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 4% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 16 or more
Investment less than \$100,000 – 5% Investment tax credit
Investment of \$100,000 – \$499,999 – 5% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 5% Investment tax credit, sales tax refund and additional R & D credit

Pay 160% or more of average county wage and investment is at least \$10 million

- Number of new jobs is 21-30
6% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 31-40
7% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 41-50
8% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 51-60
9% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 61 or more
10% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption

The investment tax credit is amortized equally over a 5-year period, instead of the entire credit being available upon project completion. The investment tax credit in excess of the tax liability can be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

The investment tax credit remains at 10% for both the enterprise zone program and the eligible housing enterprise zone program. However, the investment tax credit must be amortized over a 5-year period for the enterprise zone program for projects approved on or after July 1, 2005.

This program has been replaced by the High Quality Jobs program effective July 1, 2009.

- **Soy-Based Transformer Fluid Tax Credit** – Chapter 476D, Sections 422.11R and 422.33(22)

This credit may be claimed by an electric utility equal to the costs incurred by the utility during the tax year for the purchase and replacement costs relating to the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. The costs must be incurred after June 30, 2006, and before January 1, 2009, and the costs must be incurred during the first 18 months of the transition. The cost of the purchase and replacement cannot exceed \$2 per gallon of soy-based transformer fluid, and the number of gallons eligible for the credit cannot exceed

20,000 gallons per electric utility. The total amount of soy-based transformer fluid eligible for the credit cannot exceed 60,000 gallons in the aggregate. This is a refundable tax credit. **This credit is not available for 2009 and subsequent tax years.**

- **School Tuition Organization Tax Credit** – Section 422.11S

Effective for tax years beginning on or after January 1, 2006, a tax credit equal to 65% of the contribution made to a school tuition organization is available for individual income taxpayers only. Effective for tax years beginning on or after July 1, 2009, this tax credit is available for corporation income taxpayers. Effective for tax years beginning on or after January 1, 2013, the credit is available for partnerships, limited liability companies, S corporations and estates and trusts. A school tuition organization must be a charitable organization in Iowa that is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code that allocates at least 90% of its annual revenue in tuition grants for children who reside in Iowa to allow them to attend a qualified school of their parents' choice. The tax credit is limited in the aggregate to \$2.5 million for the 2006 tax year, \$5 million for 2007, \$7.5 million for 2008-2011, \$8.75 million for 2012 and 2013, and \$12 million for 2014 and subsequent years. Tax credit certificates are issued by the school tuition organization to the individual or corporation making the contribution. Any credit in excess of the tax liability can be carried forward for five years.

For the 2006 year, only cash contributions were eligible for the credit. Starting in 2007, noncash contributions can also be eligible for the credit. The amount of the contribution is not allowed as a deduction for Iowa tax purposes.

- **E85 Gasoline Promotion Tax Credit** (\$1.1 million for 2011) – Sections 422.11O and 422.33(11B)

Effective for E85 gasoline sold on or after January 1, 2006, a tax credit is available to retail dealers of gasoline who sell E85 gasoline. The credit is available in the following amounts:

Calendar years 2006, 2007 and 2008	25 cents
Calendar years 2009 and 2010	20 cents
Calendar year 2011	10 cents
Calendar year 2012-2017	16 cents
Calendar year 2018 and subsequent years	0 cents

A retail dealer of gasoline will be able to claim the E85 gasoline promotion tax credit even if the dealer claims an ethanol blended gasoline tax credit for the same tax year for the same ethanol gallons sold for 2006-2008, or claims the ethanol promotion credit for the same tax year for the same ethanol gallons sold for 2009-2017. In addition, a taxpayer whose tax year ends after December 31, 2017, can claim the credit for gasoline sold between the beginning of the tax year and

December 31, 2017. Any credit in excess of the tax liability is refundable. The credit can be claimed on form IA 135.

- **Biodiesel Blended Fuel Tax Credit** (\$6.8 million for 2011) – Section 422.11P and 422.33(11C)

Effective January 1, 2006, an income tax credit is available to retail dealers who sell biodiesel blended fuel through motor pumps during the tax year. Of the total gallons on diesel fuel sold by the retail dealer during the tax year, 50% or more must be biodiesel fuel to be eligible for the tax credit for tax years beginning prior to January 1, 2009. For tax years beginning on or after January 1, 2009, the credit is computed on a site-by-site basis, so any site that met the 50% test would be eligible for the tax credit. For tax years beginning on or after January 1, 2012, the 50% test has been eliminated. The tax credit applies to biodiesel blended fuel formulated with a minimum percentage of 2% by volume of biodiesel, if the formulation meets the standards of Iowa Code section 214A.2, for gallons sold through December 31, 2012. For gallons sold on or after January 1, 2013, the biodiesel blended fuel must be formulated with a minimum percentage of 5% by volume of biodiesel.

The tax credit equals 3 cents multiplied by the total number of gallons of biodiesel blended fuel gallons sold during the retail dealer's tax year through December 31, 2011. For gallons sold starting in 2012, the tax credit rate is as follows:

Year Gallons Sold	Tax Credit Rate At least B2, but less than B5	Tax Credit Rate B5 or above
2012	2 cents	4.5 cents
2013-2017	0 cents	4.5 cents
2018	0 cents	0 cents

This credit will expire on January 1, 2018, and any credit in excess of the tax liability is refundable. The credit can be claimed on form IA 8864.

- **Ethanol Promotion Tax Credit** (\$3.3 million for 2011) – Section 422.11N and 422.33(11A)

Effective January 1, 2009, an ethanol promotion tax credit is available to retail dealers of ethanol blended gasoline which replaced the ethanol blended gasoline tax credit. The amount of the tax credit is based on the pure amount of ethanol gallons sold. (For example, 10 gallons of E10 equals 1 gallon of pure ethanol. The credit is repealed on January 1, 2021.

The amount of the tax credit depends on whether the retail dealer attains a biofuel threshold standard, and how many gallons of motor fuel are sold in a year. The biofuel threshold standards for retail dealers who sell more than 200,000 gallons in a year, compared with the biofuel threshold standards for dealers who sell 200,000

gallons or less in a year, are set forth below:

Calendar Year Percentage more than 200,000 Percentage 200,000 or less

2009	10%	6%
2010	11%	6%
2011	12%	10%
2012	13%	11%
2013	14%	12%
2014	15%	13%
2015	17%	14%
2016	19%	15%
2017	21%	17%
2018	23%	19%
2019	25%	21%
2020	25%	25%

The credit is calculated separately for each retail motor fuel site for tax years beginning prior to January 1, 2011. For tax years beginning on or after January 1, 2011, taxpayers have the option to compute the credit and the biofuel threshold standard on a companywide basis or a site-by-site basis. The option chosen for the 2011 tax year must be used for subsequent tax years unless the Department consents to a change.

For the 2009 and 2010 tax years in which the retail dealer has met the threshold, the credit is 6 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by 2% or less, the credit is 4 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by more than 2% but not more than 4%, the credit is 2 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by 4% or more, then no credit is allowed.

The credit amounts are as follows for the 2011 calendar year, and for the 2012-2020 calendar years:

Biofuel Threshold Percentage Disparity	Tax Credit Rate 2011 Gallons	Tax Credit Rate 2012-2020 Gallons
0%	8 cents	8 cents
0.01% to 2.00%	6 cents	6 cents
2.01% to 4.00%	2.5 cents	4 cents
4.01% or more	0 cents	0 cents

The retail dealer determines the biofuel percentage by summing the pure ethanol gallons and the pure biodiesel gallons sold during the calendar year, and dividing this sum by the total gasoline gallons sold during the calendar year. While the biodiesel gallons are included in the computation of the biofuel percentage to determine if the threshold is met, only the pure ethanol gallons sold are used in

determining the amount of the credit.

EXAMPLE: A retail dealer only operates one motor fuel site. The number of gallons of gasoline sold at this site in 2009 equals 100,000 gallons. This consisted of 5,000 gallons of E85, 80,000 gallons of E10 and 15,000 gallons not containing ethanol. The average ethanol content of E85 gasoline during 2009 was 79%. The dealer also sold during 2009, of which 5,000 gallons was B2 (2% biodiesel). The pure ethanol gallons is 11,950 (5,000 times 79% equals 3,950. 80,000 times 10% equals 8,000. 3,950 plus 8,000 equals 11,950). The pure biodiesel gallons sold is 100, or 5,000 times 2%. The total of 11,950 and 100, or 12,050, is divided by the total gasoline gallons sold of 100,000 to arrive at a biofuel percentage of 12.05%. Since this exceeds the 6% threshold for a dealer selling less than 200,000 gallons, the credit is 6 ½ cents times 11,950, or \$777.

A retail dealer of gasoline will be able to claim the ethanol promotion tax credit even if the dealer claims either the E85 gasoline promotion tax credit or the E-15 plus gasoline promotion tax credit for the same tax year for the same ethanol gallons sold. For retail dealers of gasoline whose tax year is not on a calendar year basis, the retail dealer may compute the tax credit on the gallons of pure ethanol sold during the year using the applicable credit amounts as shown above. Any credit in excess of the tax liability is refundable. This credit is claimed on form IA 137.

- **Agricultural Assets Transfer Tax Credit** (\$5.0 million for 2011) – Sections 175.37, 422.11M and 422.33(21)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available for individual income and corporation income tax for agricultural asset transfers from a taxpayer to a beginning farmer. The credit is administered by the Iowa Finance Authority, and the assets must be subject to a lease or rental agreement.

The tax credit is based upon the gross amount paid to the taxpayer under the lease agreement by the beginning farmer. The tax credit equals 5% of the amount paid to the taxpayer under the agreement or, in the alternative; the tax credit equals 15% of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals. For tax years beginning on or after January 1, 2013, the credit percentages are increased from 5% and 7% noted above to 15% and 17%. In addition, for tax years beginning on or after January 1, 2013, if the beginning farmer is also a veteran, landowners may claim an additional 1% of eligible expenses, making the credit effectively 8% and 18 % for the first year of the agreement. The credit is capped at \$6 million starting with the fiscal year beginning July 1, 2009 through the fiscal year beginning July 1, 2012. For the fiscal year beginning July 1, 2013, \$8 million is allocated to this credit and \$4 million is allocated to the custom contract farming tax credit.

For tax years beginning on or after January 1, 2013, the maximum credit issued to a taxpayer is \$50,000.

A tax credit certificate is issued by the Iowa Finance Authority for the amount of the credit. Any credit in excess of the tax liability can be carried forward for ten years for credits earned in 2008 and subsequent years. Credits earned in 2007 have a five year carryforward.

- **Film Qualified Expenditure Tax Credit** (\$404,000 million for 2011) - Sections 15.393, 422.11T, 422.33(23) and 422.60(12)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available for individual income, corporation income, and franchise tax equal to 25% of a taxpayer's qualified expenditures in a film, television or video project registered with the film office of the Iowa Economic Development Authority. The film, television, or video project must have expenditures of at least \$100,000 in Iowa to be registered with the film office. No new projects will be registered until July 1, 2013.

A qualified expenditure is a payment to an Iowa resident or an Iowa-based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project. This includes, but is not limited to; aircraft, vehicles, equipment, material, supplies, accounting, animals and animal care, artistic and design services, delivery and pickup services, graphics, labor and personnel, lighting, makeup and hairdressing, film, music, photography, sound, video and related services, printing, research, site fees and rental, travel related to Iowa distant locations, trash removal and cleanup, and wardrobe. Labor and personnel does not include the director, producers, or cast members other than extras and stand-ins for projects approved prior to July 1, 2009. For projects approved on or after July 1, 2009, labor and personnel can include the principal director, principal producer and principal cast members. The amount of labor and personnel expenditures eligible for the tax credit for projects approved on or after July 1, 2009, is dependent on the total amount of expenditures for the film project in Iowa.

Any credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is earlier. After the project has been registered and the expenditures have been incurred, the Authority will issue a tax credit certificate to the taxpayer. This tax credit is transferable. **This credit was repealed for tax years beginning on or after January 1, 2012. Any tax credit related to contracts or agreements entered into before May 25, 2012 will still be allowed.**

- **Film Investment Tax Credit** (\$79,000 for 2011) – Sections 422.11W and 422.33(25)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available or individual income, corporation income, and franchise tax equal to 25% of a taxpayer's investment in a film, television, or video project registered with the film office of the Iowa Economic Authority. The film, television, or video project must

have expenditures of at least \$100,000 in Iowa to be registered with the film office. A taxpayer cannot claim the film investment tax credit for qualified expenditures for which the film expenditure tax credit was claimed. The amount of film investment credit for a particular project cannot exceed 25% of the qualified expenditures in Iowa for the project.

Any credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is earlier. After verifying eligibility for the credit, the Department of Economic Development will issue a tax credit certificate to the taxpayer. This tax credit is transferable. **This credit was repealed for tax years beginning on or after January 1, 2012. Any tax credit related to contracts or agreements entered into before May 25, 2012 will still be allowed.**

- **Charitable Conservation Contribution Tax Credit** (\$1.3 million for 2011) – Sections 422.11W and 422.33(25)

Effective for tax years beginning on or after January 1, 2008, a tax credit is available for individual income and corporation income tax equal to 50% of the fair market value of a qualified real property interest located in Iowa that is conveyed as an unconditional charitable donation in perpetuity by a taxpayer to a qualified organization exclusively for conservation purposes. The maximum amount of the credit is \$100,000. The amount of the contribution for which the tax credit is claimed is not deductible as an itemized deduction for Iowa income tax purposes.

The terms “conservation purpose,” “qualified organization” and “qualified real property interest” mean the same as set forth in section 170(h) of the Internal Revenue Code. Any tax credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following 20 years or until depleted, whichever is the earlier.

- **Redevelopment Tax Credit** (\$355,000 for 2011) – Sections 15.293A, 422.11V, 422.33(26) and 422.60(14)

A tax credit is available for individual income tax, corporation income tax, franchise tax, insurance premiums tax, and moneys and credits tax related to redevelopment of brownfield and grayfield sites. Brownfields involve sites that have potential environmental contamination, and grayfields are sites that have infrastructure in place but the property’s current use is outdated.

This tax credit program is administered by the Iowa Economic Development Authority, and applications for the tax credit are filed with the Brownfield Redevelopment Advisory Council of the Authority. A tax credit certificate cannot be used for a tax year beginning prior to July 1, 2009.

The amount of the tax credit equals a percentage of the taxpayer’s qualifying

investment in a site as follows:

Type of Investment	Tax Credit Percentage
Grayfield site	12%
Grayfield site if green development standards met	15%
Brownfield site	24%
Brownfield site if green development standards met	30%

The total amount of tax credit available is \$1 million for the fiscal year beginning July 1, 2009, and the maximum amount of tax credit for any one qualifying redevelopment project cannot exceed \$100,000. An investment made prior to January 1, 2009 will not qualify for the tax credit. The credit was increased to \$5 million per year for the fiscal year beginning July 1, 2011 and July 1, 2012, and the maximum amount of credit for one project cannot exceed \$500,000. The credit was increased to \$10 million per year for the fiscal year beginning July 1, 2013, and the maximum amount of credit for one project cannot exceed \$1 million.

Any tax credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is the earlier. The tax credit is transferable. Credits earned by non-profit organizations on or after July 1, 2014 are refundable.

- **Disaster Recovery Housing Tax Credit** – Sections 16.191, 422.11X and 422.33(27)

A tax credit for individual and corporation income tax is available for a portion of a taxpayer's investment in a qualifying disaster recovery housing project. The credit will be administered by the Iowa Finance Authority (IFA). **This credit was repealed in 2014, and no tax credits were ever awarded.**

- **High Quality Jobs Program** – Sections 15.329

Effective July 1, 2009, the High Quality Jobs program has replaced the high quality jobs creation program. Effective July 1, 2014, the enterprise zone program is no longer a stand-alone program, and has been incorporated into the High Quality Jobs program. The program is administered by the Iowa Economic Development Authority. Businesses can retain jobs and still qualify for tax incentives. The average county wage component has been changed to a qualifying wage threshold. The business must pay 120% of the qualifying wage threshold by the project completion date until the maintenance period completion date. If the business is located in an economically distressed area, the business must pay at least 100% of the qualifying wage threshold. A business cannot be a retail business or a business where entrance is limited by a cover charge or membership requirement to qualify for the tax incentives.

The tax incentives for the High Quality Jobs Program are as follows:

- Number of new or retained jobs is zero
Investment less than \$100,000 – 1% Investment tax credit
Investment of \$100,000 – \$499,999 – 1% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 1% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 1-5
Investment less than \$100,000 – 2% Investment tax credit
Investment of \$100,000 – \$499,999 – 2% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 2% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 6-10
Investment less than \$100,000 – 3% Investment tax credit
Investment of \$100,000 – \$499,999 – 3% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 3% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 11-15
Investment less than \$100,000 – 4% Investment tax credit
Investment of \$100,000 – \$499,999 – 4% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 4% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 16 or more and the investment is less than \$10 million
Investment less than \$100,000 – 5% Investment tax credit
Investment of \$100,000 – \$499,999 – 5% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 5% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 31-40, and the investment is \$10 million or more 6% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 41-60, and the investment is \$10 million or more 7% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption

- Number of new or retained jobs is 61-80, and the investment is \$10 million or more 8% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 81-100, and the investment is \$10 million or more 9% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 101 or more, and the investment is \$10 million or more 10% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- **Innovation Fund Tax Credit** – Sections 15E.52, 422.11Y, 422.33(13) and 422.60(13)

An innovation fund investment tax credit is available equal to 25% of the taxpayer's equity investment in an innovation fund. The credit is available for investments made on or after January 1, 2013. The innovation fund must be certified by the Iowa Economic Development Authority. The tax credit is capped at \$8 million per fiscal year

The Authority will issue tax credit certificates to investors who make cash investments in a certified innovation fund. No tax credit certificates will be issued before September 1, 2014. Any tax credit in excess of the tax liability for the tax credit may be credited to the tax liability for the following five years or until depleted, whichever is earlier. The credits are transferable, but may only be transferred once.

- **E-15 Plus Gasoline Promotion Tax Credit** (\$20,000 claimed for 2011) – Sections 422.11Y and 422.33(11D)

An E-15 plus gasoline promotion tax credit is available to retail dealers of gasoline who sell E-15 plus gasoline. This is gasoline with an ethanol content of at least 15%, but less than 70% (Ethanol with a content of 70% or higher is classified as E-85 gasoline).

The tax credit rate is three cents per gallon for calendar years 2012-2017, with the exception of gallons sold between June 1 and September 15 for 2014-2017, in which the credit is ten cents per gallon. The tax credit is repealed effective January 1, 2018. Any tax credit in excess of the tax liability is refundable.

The credit is available for E-15 plus gallons sold on or after July 1, 2011. Gallons sold from July 1, 2011 through December 31, 2011 will receive a tax credit equal to three cents per gallon of E-15 plus gasoline sold. The retail dealer can claim the ethanol promotion tax credit for the same ethanol gallons used to calculate the E-15 plus gasoline promotion tax credit. The credit is claimed on form IA 138.

- **Geothermal Heat Pump Tax Credit** – Sections 422.11I

For tax years beginning on or after January 1, 2012, a geothermal heat pump tax credit is available for individual income tax equal to 20% of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25D(a)(5) of the Internal Revenue Code for residential property located in Iowa.

The federal credit is available for property placed in service before January 1, 2017, so the Iowa credit will be available for the 2012-2016 tax years. The federal credit is claimed on federal form 5695, Residential Energy Credits.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the next ten years or until depleted, whichever is the earlier.

- **Solar Energy System Tax Credit** (\$1,500,000 awarded for 2013) – Sections 422.11L and 422.33(29)

For tax years beginning on or after January 1, 2012, a solar energy system tax credit is available for individual income and corporation income tax for solar energy systems located in Iowa. For years beginning on or after January 1, 2014, the credit is available for franchise tax.,

For individuals for 2012 and 2013, the solar energy system tax credit is equal to 50% of the federal residential energy efficient property tax credit related to solar systems provided in section 25D(a)(1) of the Internal Revenue Code for solar electric property and section 25D(a)(2) of the Internal Revenue Code for solar water heating property. The Iowa credit for an individual cannot exceed \$3,000 for 2012 and 2013. For 2014-2016, the credit is 60% of the federal credit, with a maximum credit of \$5,000.

For corporations for 2012 and 2013, which also includes partnerships, limited liability companies and S corporations, the solar energy system tax credit is equal to 50% of the federal energy credit as provided in sections 48(a)(3)(A)(i) of the Internal Revenue Code for solar electric, heating and cooling property and 48(a)(3)(A)(ii) of the Internal Revenue Code for equipment using solar energy to illuminate structures using fiber-optic distributed sunlight. The Iowa credit for a corporation cannot exceed \$15,000 for 2012 and 2013. For 2014-2016, the credit is 60% of the federal credit, with a maximum credit of \$20,000.

The federal credit is available for property placed in service before January 1, 2017, so the Iowa credit will be available for the 2012-2016 tax years. The federal credit is claimed on federal form 5695, Residential Energy Credits for individuals and federal form 3468, Investment Tax Credit, for corporations.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the next ten years or until depleted, whichever is the earlier.

The cumulative amount of tax credits that can be issued to both individuals and businesses cannot exceed \$1.5 million for 2012 and 2013, and \$4.5 million for 2014-2016. Of the \$4.5 million for 2014-2016, \$1 million is reserved for residential credits.

Taxpayers who claim this credit are not eligible to claim a renewable energy tax credit under Iowa Code chapter 476C.

- **Volunteer Firefighter and Emergency Medical Services Personnel and Reserve Peace Officer Tax Credit** – Sections 422.12

For tax years beginning on or after January 1, 2013, a tax credit is available for individual income tax for volunteer fire fighters and volunteer emergency medical services personnel. A volunteer fire fighter must be an active member of an organized volunteer fire department in Iowa who has met the minimum training standards established by the fire service training bureau. Volunteer emergency medical services personnel must be individuals who are trained to provide emergency medical care who is certified as a first responder and has been issued a certificate by the department of public health.

The tax credit equals \$50 if the volunteer served for the entire tax year for 2013. If the volunteer did not serve for the entire year, the \$50 credit will be prorated based on the number of months that the volunteer served, rounded to the nearest dollar. If the volunteer served for a portion of a month, that will be considered as an entire month. If an individual is both a volunteer fire fighter and a volunteer emergency medical service personnel, the credit can only be claimed for one volunteer position.

The individual is required to have a written statement from the fire chief or other appropriate supervisor verifying that the individual was a volunteer fire fighter or volunteer emergency medical services personnel for the months for which the credit is claimed.

For 2014, the maximum credit is \$100, and the credit is also available starting in 2014 for reserve peace officers. The reserve peace officers also require a written statement from their supervisor verifying the number of months for which they can claim the credit.

The credit is limited to the tax liability for the tax year, and there is no carry forward of any excess credit to a subsequent tax year.

- **Taxpayers Trust Fund Tax Credit** – Section 422.11E

For tax years beginning on or after January 1, 2013, an Iowa Taxpayers Trust Fund Tax Credit is now available for Iowa individual income tax. The credit is equal to the amount of money in the Iowa Taxpayers Trust Fund at the end of a fiscal year divided by the number of eligible individuals who filed Iowa Individual Income Tax returns by October 31 of the year preceding the year in which the credit is allowed.

For example, there will be \$120,000,000 in the Iowa Taxpayers Trust Fund at the end of the fiscal year ending June 30, 2013. 2,200,000 individuals filed Iowa Individual Income Tax returns for the 2012 calendar year by October 31, 2013, which resulted in a \$54 Taxpayers Trust Fund Tax Credit that will be available for all individuals who file an Iowa Income Tax return for the 2013 tax year. The 2013 Iowa return must be filed by October 31, 2014 to be eligible for the credit. Any credit in excess of the tax liability (which is the computed Iowa tax less other nonrefundable credits plus any school district surtax or EMS surtax less other refundable credits excluding estimated payments and Iowa withholding) is not refundable and cannot be carried back or carried forward to another tax year.

The Department of Revenue will determine the amount of the Credit for each year shortly after November 1 of the previous year when the total number of individual filers for the previous year is determined and the amount of Taxpayer Trust Fund Tax Credits claimed on Iowa returns is determined. If the amount of taxpayer trust fund tax credits claimed on tax returns is less than the amount authorized, the difference will be transferred to the Taxpayer Trust Fund for the next year. For example, if only \$90,000,000 of Taxpayer Trust Fund Tax Credits are claimed on 2013 Iowa returns filed by October 31, 2014, the remaining \$30,000,000 will be transferred to the Taxpayers Trust Fund and will be available for the Taxpayer Trust Fund Tax Credit for the 2014 Iowa return. It is estimated that the credit will be \$40 for the 2014 tax year.

- **Custom Contract Farming Tax Credit** – Sections 175.38, 422.11M and 422.33(21)

For tax years beginning on or after January 1, 2013, a custom farming credit is available for landowners who hire a beginning farmer to do custom work and allows the landowner to claim 7% of the value of the contract on a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year. The credit is administered by the Iowa Finance Authority. For the fiscal year beginning July 1, 2013, \$4 million is allocated to this credit, while \$8 million is allocated to the agricultural assets transfer tax credit.

The taxpayer must pay the beginning farmer on a cash basis, and the contract must be in writing for a term of not more than twelve months. The total cash payment must equal at least \$1,000. The maximum credit issued to a taxpayer is \$50,000.

A tax credit certificate is issued by the Iowa Finance Authority for the amount of the credit. Any credit in excess of the tax liability can be carried forward for ten years.

- **From Farm to Food Donation Tax Credit** – Sections 190B.303, 422.11E and 422.33(30)

For tax years beginning on or after January 1, 2014, a farm to food donation tax credit is available for individual and corporation income tax. In order to qualify for the credit, the taxpayer must produce a food commodity and donate it to an Iowa food bank or an Iowa emergency feeding organization. The donated food may not be damaged or out-of-condition and unfit for human consumption. A food commodity that meets the requirements for donated foods pursuant to the Federal Emergency Food Assistance Program satisfies this requirement.

Individual members of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual shall claim the credit based upon the pro rata share of their earnings from the business entity.

The tax credit is available for 15% of the value of the food commodities donated in the tax year, when valued according to the federal guidelines for charitable contribution of food under Internal Revenue Code section 170(e)(3)(c), or \$5,000, whichever is less. The amount of the contribution for which the tax credit is claimed is not allowed as an itemized deduction for Iowa income tax.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the 5 five years, or until depleted, whichever is earlier.

- **Adoption Tax Credit** – Section 422.12A

For tax years beginning on or after January 1, 2014, an adoption tax credit is available for individual income tax equal to the first \$2,500 of unreimbursed expenses related to an adoption. There is no limit on the amount of income earned by an individual to be eligible for the credit. The credit is refundable.

Any adoption expenses eligible for the tax credit are excluded from the calculation of the Iowa itemized deduction for adoption expenses, which are the expenses in excess of 3% of adjusted gross income. For example, if a taxpayer has \$100,000 of adjusted gross income and \$6,000 of adoption expenses, the taxpayer can claim a \$2,500 adoption tax credit and \$500 of itemized deductions for adoption expenses. Only \$3,000 of expenses are available for a deduction, and \$2,500 are used to claim the tax credit.

NOTE: Effective for fiscal years beginning on or after July 1, 2012, the amount of tax credit awards for the following programs administered by the Iowa Economic Development Authority cannot exceed \$170 million. The allocation starting with the fiscal year beginning on or after July 1, 2014 is as follows:

- High Quality Jobs Program - \$130 million
- Workforce Housing Credit - \$20 million
- Assistive Device Tax Credit - \$0
- Redevelopment Tax Credit - \$10 million
- Innovation Fund Tax Credit - \$8 million
- Qualifying Business and Community-Based Seed Capital Fund Credit - \$2 million